

Message Text

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PAGE 01 STATE 120327

63

ORIGIN OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 COME-00 AID-05 TRSE-00 L-02

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DRAFTED BY OPIC/GC:LLUCERO

APPROVED BY EB/IFD/OIA: RSMITH

OPIC/GC:PRGILBERT

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI PRIORITY

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: OPIC CONTRACT OF GUARANTY NO. 1396 - MCNALLY
PITTSBURG MANUFACTURING CORPORATION (MCNALLY)

REF; (A) NEW DELHI 6663 (B) STATE 105224

1. OPIC DISCUSSED SUBSTANCE OF REFTEL WITH MCNALLY'S

ATTORNEY ON MAY 20. BOTH OPIC AND MCNALLY'S ATTORNEY FAIL TO SEE RELEVANCE OF MCNALLY BHARAT MAKING APPLICATION TO THE RESERVE BANK OF INDIA UNDER SECTION 19 SUBSECTION 5 OF THE FOREIGN EXCHANGE REGULATION ACT FOR THE TRANSFER OF SHARES, SINCE NO TRANSFER OF SHARES IS CONTEMPLATED BY MCNALLY NOR BY MCNALLY BHARAT.

2. DILUTION OF MCNALLY'S EQUITY HOLDINGS IN MCNALLY BHARAT IS TO BE ACCOMPLISHED THROUGH A PUBLIC ISSUANCE OF NEW MCNALLY BHARAT SHARES PURSUANT TO THE SEPTEMBER 30, 1974
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PAGE 02 STATE 120327

CONSENT ORDER OF THE CONTROLLER OF CAPITAL ISSUES. THE

GOI IS CLEARLY AWARE OF THE INTENDED MANNER TO EFFECT DILUTION. ACCORDINGLY GOI REQUEST IN PARA 1 REFTEL (A) APPEARS IRRELEVANT.

3. MCNALLY HAS GIVEN ASSURANCE TO OPIC THAT MCNALLY BHARAT WILL FULLY COOPERATE WITH GOI REQUEST AS PER PARA 2 REFTEL (A). MCNALLY WILL INSTRUCT MCNALLY BHARAT IMMEDIATELY TO SEND A LETTER TO JOINT SECRETARY BHANDARI SETTING FORTH ALL STEPS TAKEN BY MCNALLY AND MCNALLY BHARAT INCLUDING THOSE SET FORTH IN PARA 1 REFTEL (B). LETTER WILL ALSO INCLUDE ANY OTHER STEPS MCNALLY BHARAT INTENDS TO TAKE TO COMPLY WITH SEPTEMBER 30, 1974 CONSENT ORDER.

4. OPIC WOULD APPRECIATE EMBASSY CONTACTING MCNALLY BHARAT AND FACILITATING PRESENTATION OF LETTER TO JOINT SECRETARY. IN VIEW OF OPIC'S OBSERVATION IN PARA 1 ABOVE OPIC WOULD APPRECIATE EMBASSY OBTAINING FROM THE JOINT SECRETARY A CLARIFICATION TO THE EFFECT THAT REQUEST OF GOI PER PARA 1 REFTEL (A) UNNECESSARY AND ALSO FIRM COMMITMENT AS TO AUTHORIZATION OF REMITTANCE OF MCNALLY'S 1974 DIVIDEND.

5. FYI MCNALLY HAS BEEN ADVISED OF JOINT SECRETARY'S REQUEST AS PER REFTEL (A) AND VIEWS THIS AS ANOTHER "STALLING" TACTIC. MCNALLY WANTS TO RECEIVE ITS DIVIDEND PROMPTLY. UNLESS THIS MATTER CAN BE RESOLVED WITHIN THE NEXT TEN DAYS, OPIC WILL HAVE NO ALTERNATIVE OTHER THAN TO MAKE IMMEDIATE PAYMENT TO MCNALLY. INGERSOLL

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